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STATE PASS TO USTR FOR AUSTR WEISEL AND DAUSTR BELL

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TAGS: ENRG EPET EINV ETRD ECON SN

SUBJECT: ISLAND POWER'S CONTINUING PIPELINE ACCESS WOES

REF: A. SINGAPORE 1583

1B. SINGAPORE 1167

1C. SINGAPORE 996

11. (SBU) Summary: Island Power, the local subsidiary of U.S. company Intergen, is increasingly pessimistic that it will gain full access to Singapore's electricity market. Although Singapore's amended Gas Act to liberalize the energy sector took effect in June, Island Power finds itself squeezed between bureaucratic foot dragging in Singapore and a beleaguered gas supply contract in Indonesia (ref B). End summary.

12. (SBU) Singapore's Energy Market Authority (EMA) is still reviewing Island Power's recently submitted application for pipeline access, but the process is a "pedantic nightmare with no end in sight," according to a company representative.

He told us that EMA is "doing all the right things" under the amended Gas Act, but at a "glacial pace." He attributes the problem to EMA's lack of experience with this process and its perceived need to proceed with utmost caution.

Indonesian Gas Contract Not Dead -- Yet

13. (SBU) Despite recent press reports to the contrary, Island Power's gas supply contract with Indonesia is still valid, according to the representative. However, the situation is "extremely serious" and the GOI is becoming more aggressive in its insistence that Island Power complete the pipeline access agreement soon. If Indonesia formally cancels the contract, Island Power's application with EMA will be void. The likely result is that the company will lose all of the US\$70 million it has invested in the power station project so far, he stated.

Other Access Barriers

14. (SBU) The managing director of a Singapore government-linked power company recently told us that Island Power stood a slim chance of gaining access to the pipeline, regardless of EMA's decision. Even if the application is approved, other industry players involved will "utilize every option at their disposals to foil Island Power's plans," he claimed.

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